

State of Alaska FY2003 Governor's Operating Budget

Department of Community & Economic Development Alaska Energy Authority Rural Energy Operations Component Budget Summary

Component: Alaska Energy Authority Rural Energy Operations

Contact: Robert G. Poe, Jr., Executive Director

Tel: (907) 269-3000 **Fax:** (970) 269-3044 **E-mail:** bpoe@aidea.org

Component Mission

The mission of the Alaska Energy Authority - Rural Energy Operations component is to lower the cost and increase the reliability of rural energy systems.

Component Services Provided

This component provides personnel resources and administrative support needed to implement Alaska Energy Authority's (AEA) rural energy programs, including bulk fuel storage upgrades, rural power system upgrades, power cost equalization, energy conservation and alternative energy development, circuit rider maintenance and emergency response, utility operator training, the Bulk Fuel Revolving Loan Fund program, and the Power Project Fund loan program:

- Bulk fuel storage upgrades - AEA manages the design and construction of tank farm consolidation projects in rural communities. As described in our capital budget request, recent funding has been provided primarily by the Denali Commission, supplemented by additional federal funds from agencies such as EPA and HUD and by State capital appropriations.
- Rural power system upgrades - AEA manages the design and construction of upgrades and replacements to diesel powerplants and electrical distribution systems in rural communities. The capital budget request describes this in greater detail. Recent funding has been provided primarily by the Denali Commission, supplemented by State and other federal funds.
- Power cost equalization (PCE) - Program administration is divided between the Regulatory Commission for Alaska (RCA) and AEA. RCA determines the amount of PCE per kilowatt hour to be paid in each community to each eligible customer. AEA's main task is to review the monthly reports on eligible usage of electricity from the participating utilities and to issue the monthly PCE payments based on the amount of eligible usage and the approved PCE rate.
- Energy conservation and alternative energy development - AEA manages the federally-funded Rebuild America program, which provides "energy audits" and energy conservation recommendations for institutional buildings (such as schools) in rural communities. As described in the capital budget request, AEA also manages the federally-funded biomass energy program, participates in wind energy development, and works with the U.S. Department of Energy and rural utilities on a wide range of alternative energy initiatives.
- Circuit rider maintenance and emergency response - AEA contracts with private firms to provide preventive maintenance, on-site utility operator training, and emergency response for rural electric utilities. AEA personnel provide contract supervision and supplemental services in the field as needed.
- Utility operator training - AEA manages a program that sends rural electric utility operators to the Alaska Vocational Technical Center (AVTEC) in Seward for extended training in diesel power plant operations.
- Bulk Fuel Revolving Loan Fund - AEA evaluates loan applications for purchase of bulk fuel supplies, issues loans, collects payments, and works with purchasers and fuel distributors as necessary to finance bulk fuel purchases.
- Power Project Fund - AEA evaluates loan applications, issues loans, collects payments, and works with eligible borrowers as necessary to finance eligible projects.

Component Goals and Strategies

For both bulk fuel storage consolidation and rural power system upgrades, accelerate project development to take full

advantage of the recent and expected increases in Denali Commission funding of these projects.

Continue to issue accurate and timely PCE payments to eligible utilities.

Through training and technical assistance, improve local capabilities to properly manage, operate, and maintain electric utility and bulk fuel storage systems.

By providing preventive maintenance, emergency response and utility system upgrades, eliminate safety hazards and prevent or resolve electrical emergencies in rural communities.

Provide efficient and effective management of capital projects.

Develop and implement alternative energy technologies and assess their potential to reduce energy costs in rural Alaska.

Key Component Issues for FY2002 – 2003

Increased funding from the Denali Commission offers a rare opportunity to upgrade both fuel storage facilities and electric utility systems in rural Alaska on a broad scale. A key issue for AEA is to provide sufficient management resources and accelerate the pace of project development so that rural communities can realize as much benefit as possible from this opportunity.

The need to reduce energy costs in rural Alaska has become more urgent due to the sharp increase in fuel prices that has occurred during the past year. Strategies to reduce these costs through energy production efficiencies, energy production alternatives, and energy conservation need to be clearly identified, developed, and aggressively implemented.

Demand for loans from the Bulk Fuel Revolving Loan Fund has continued to grow and to outstrip the available funds. In September 2001, AEA was awarded a \$5.0 million grant from USDA/RUS for the Bulk Fuel Revolving Loan Fund to help address the increased demand.

Recent growth in the construction of new power supply and bulk fuel storage projects highlights the need for consistent operations, maintenance, and management skills among the local owners of these facilities. Appropriate training is necessary not only at the time of project completion but will also be needed periodically in the future given the expected turnover of facility operators.

A continuing issue is to reduce the number of power system emergencies due to failures in electrical generation and transmission systems, and to reduce the number of fuel supply emergencies due to inadequate bulk fuel storage facilities.

Major Component Accomplishments in 2001

Completed bulk fuel storage consolidations and upgrades in 5 communities totaling \$13.3 million. An additional 5 bulk fuel consolidations, totaling \$14 million will be completed in calendar year 2001.

Started preliminary design work on 21 additional bulk fuel storage projects.

Completed rural power system upgrades in 5 communities totaling \$4.1 million. Started preliminary design of rural power system upgrades in 6 villages with a total estimated construction costs of \$9.9 million.

Responded to electrical emergencies in 8 communities, primarily due to diesel engine failures.

Statutory and Regulatory Authority

AS 42.45
19 AAC 96
19 AAC 97

Alaska Energy Authority Rural Energy Operations

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	125.6
73000 Contractual	0.0	0.0	2,615.5
74000 Supplies	0.0	0.0	18.0
75000 Equipment	0.0	0.0	5.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	0.0	0.0	2,764.1
Funding Sources:			
1002 Federal Receipts	0.0	0.0	68.3
1004 General Fund Receipts	0.0	0.0	295.6
1007 Inter-Agency Receipts	0.0	0.0	155.1
1061 Capital Improvement Project Receipts	0.0	0.0	1,158.9
1062 Power Project Loan Fund	0.0	0.0	835.2
1074 Bulk Fuel Revolving Loan Fund	0.0	0.0	51.0
1108 Statutory Designated Program Receipts	0.0	0.0	200.0
Funding Totals	0.0	0.0	2,764.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Federal Receipts	51010	0.0	0.0	0.0	68.3	68.3
Interagency Receipts	51015	0.0	0.0	0.0	155.1	155.1
Statutory Designated Program Receipts	51063	0.0	0.0	0.0	200.0	200.0
Capital Improvement Project Receipts	51200	0.0	0.0	0.0	1,158.9	1,158.9
Bulk Fuel Revolving Loan Fund	51270	0.0	0.0	0.0	51.0	51.0
Power Project Loan Fund	51350	0.0	0.0	0.0	835.2	835.2
Restricted Total		0.0	0.0	0.0	2,468.5	2,468.5
Total Estimated Revenues		0.0	0.0	0.0	2,468.5	2,468.5

Alaska Energy Authority Rural Energy Operations

Proposed Changes in Levels of Service for FY2003

AEA is occasionally requested to perform contractual services on behalf of private entities. AEA requests authorization to receive statutory designated program receipts to cover these contracts. AEA expects Sandia Labs to request contractual services to be performed in FY03 for the energy storage into distributed resource electricity supply systems.

Due to the increase in Denali Commission funds and projects, AEA requests an increment of \$240.0 of CIP receipts as the funding source. A corresponding increment in personal services for three CIP positions is requested in the AIDEA operations component.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	0.0	0.0
Adjustments which will continue current level of service:				
-Transfer funding from Rural Energy BRU to new AEA Bru and components	289.7	66.0	1,895.3	2,251.0
Proposed budget increases:				
-Bulk Fuel and Rural Power Systems Projects	0.0	0.0	240.0	240.0
-Reimbursable Services Contracts	0.0	0.0	200.0	200.0
-Increase RSA with AIDEA	5.9	2.3	64.9	73.1
FY2003 Governor	295.6	68.3	2,400.2	2,764.1